INTERIM REPORT

of the

STANDING COMMITTEE ON PUBLIC ACCOUNTS

of the

LEGISLATIVE ASSEMBLY OF NOVA SCOTIA

June 26, 1987

Dr. William Gillis, M.L.A.
Chairman

Mr. George Archibald, M.L.A.
Vice-Chairman

The Third Session of the Fifty-Fourth General Assembly

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This report is the work of the Standing Committee on Public Accounts. The membership of this Committee was approved in the Nova Scotia Legislature on March 27, 1987. The Committee dealt with the Report of the Auditor General, March 31, 1987 and a number of other issues.

Committee Members

Dr. William Gillis, M.L.A., Chairman
*Mr. George Archibald, M.L.A., Vice-Chairman
The Honourable Ronald C. Giffin, Q.C.
The Honourable Ronald S. Russell, C.D.
The Honourable G. David Nantes
The Honourable Brian Young
Dr. James MacLean, M.L.A.
Mr. Vincent J. MacLean, M.L.A
Mr. John Holm, M.L.A.

(*Appointed Vice-Chairman - April 29, 1987)

The Standing Committee on Public Accounts operated under several reform-oriented changes recommended in the May 1986 Report of the Select Committee on Rules and Procedures of the House of Assembly. These changes were debated and approved in the Legislature on May 23, 1986.

One change set a precedent as it made provision for the Committee to be chaired by a member of the Official Opposition. Dr. William Gillis, M.L.A. for Antigonish, was the first Chairman so elected.

Another change in effect for all Standing Committees was that no Minister shall be appointed to a Standing Committee established for the purpose of considering matters normally assigned to or within the purview of that Minister. As a result, the Minister of Finance, unlike in other years, was not a member of the Standing Committee on Public Accounts for the Third Session of the Fifty-Fourth General Assembly.

These changes had been recommended by the present Auditor General and his predecessor, Mr. Arnold Sarty. Dr. Gillis, on behalf of the Committee, congratulated the Select Committee on Rules and Procedures of the House for supporting these changes.

The Auditor General made a number of other suggestions relating to the organization and practices of the Public Accounts Committee. These include: the need for a more formal enunciation of the role and responsibilities of the Committee; the use of formal agendas and the provision of required background materials to facilitate discussion at meetings; the preparation of a substantive report annually to the House of Assembly; and the scheduling of meetings other than when the House is sitting (1986 Report of the Auditor General, p. 30). Although there is always room for improvement, the Committee has succeeded, to varying degrees, in complying with these suggestions. Although the last of the recommendations has not yet been acted on by the current Public Accounts Committee, it is the intention of the Committee to meet after the House of Assembly adjourns.

Although it is not always possible to avoid discussing isolated individual transactions, the intent of the Committee is to look at some of the broader issues of management and financial administration. The Committee received suggestions for witnesses from each of the three parties represented in the Legislature. These lists included the Auditor General, representatives from the Nova Scotia Teachers' Pension Commission, Sydney Steel, Nova Scotia Resources, the Provincial Tax Commissioner, the Farm Loan Board, Theta Marketing and others. The initial agenda was set on April 1, 1987, with the unanimous consent of Committee members.

The Standing Committee on Public Accounts met on the following dates:

April 1, 1987
April 8, 1987
April 15, 1987
April 22, 1987
April 29, 1987
May 6, 1987
May 13, 1987
May 20, 1987
May 27, 1987

The verbatim transcripts of the meetings of the Public Accounts Committee are available at the Legislative Library.

The Committee extends its thanks to the witnesses for appearing and for their co-operation and willingness to provid information.

The Committee also thanks the Auditor General, Mr. O. Paul Cormier, and his staff; the Editor of Hansard, Mr. Rodney Caley, and his staff; staff at Province House and the Committees Office of the House of Assembly; and Mrs. Margaret-Anne Bennett, Legislative Intern and Secretary to the Committee.

Finally, the Committee thanks Mr. Speaker, Arthur R. Donahoe, for his co-operation.

Dated: June 26, 1987

WITNESSES

Office of the Auditor General - April 8 and 15, 1987

Mr. O. Paul Cormier	Auditor General
Mr. Roy Gunn	Deputy Auditor General
Mr. James Butler	Assistant Auditor General

Nova Scotia Resources Limited - April 22, 1987

Mr. Peter Outhit	President and Chief Executive Officer

Sydney Steel Corporation - April 29, 1987

Mr. E. Boutilier	President
Mr. M. Cochrane	Chairman of the Board
Mr. R. Skinner	Secretary/Treasurer

United Steel Workers of America, Loc. 1064 - April 29, 1987

Mr. John Callaghan	President
Mr. Benny O'Neill	
Mr. Clifford Boutilier	

Halifax-Dartmouth Bridge Commission - May 6, 1987

Mr. Reg Prest	Chairman
Mr. Basil Gordon	Secretary
Mr. Ken Munro	Comptroller
Mr. Jerry Kay	General Manager

Provincial Tax Commission - May 13, 1987

Mr. A. G. Manuel	Deputy Minister Department of Finance
Mr. Eric Lavers	Tax Commissioner

WITNESSES (Cont'd)

Teachers' Pension Commission - May 20, 1987

Mr. G. J. McCarthy	Chairman
Mr. R. W. Jack	Commission Secretary
Mr. B. MacDonald	Actuary

Public Service Superannuation Plan - May 20, 1987

Mr. A. G. Manuel	Deputy Minister Department of Finance
Mr. G. Sturdy	Manager

Venture Capital Corporation - May 27, 1987

Mr. J. R. (Pat) Ellis	Chairman
Mr. Robert Hanna	Manager Venture Capital Program

ORGANIZATIONAL MEETING

The Organizational Meeting of the Standing Committee on Public Accounts took place on April 1, 1987 at 10:00 a.m. in the Legislative Chamber, House of Assembly.

Mr. Rod MacArthur, Clerk of the House, served as Chairman until a Chairman was elected.

The meeting proceeded with:

- the election of Dr. William Gillis as Chairman of the Committee.

- the appointment of Ms. Margaret-Anne Bennett, Legislative Intern, as Secretary to the Committee.

- the presentation of party lists containing suggestions for witnesses.

- the setting of an initial agenda.

Further meetings will take place on Wednesdays at 9:00 a.m. in the Legislative Chamber unless Members are otherwise notified.

SUMMARY

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Wednesday, April 1, 1987
Legislative Chamber, House of Assembly

COMMITTEE:

Dr. William Gillis
Hon. Ronald C. Giffin
Hon. Ronald S. Russell
Hon. G. David Nantes
Hon. Brian A. Young
Dr. James MacLean
Mr. George Archibald
Mr. Vincent MacLean
Mr. John Holm

IN ATTENDANCE:

Dr. William Gillis
Hon. Ronald S. Russell
Hon. G. David Nantes
Hon. Brian A. Young
Mr. George Archibald
Mr. Vincent J. MacLean
Mr. John Holm

Dr. M. Lawton attended on behalf of Dr. James MacLean.

The meeting began at approximately 10:00 a.m. with the Chief Clerk of the House, Mr. Rod MacArthur, serving as Chairman. The first order of business was the election of a Chairman for the Committee. For the first time in the history of Nova Scotia, the Chairman of the Public Accounts Committee was chosen from the ranks of the Members of the Official Opposition.

It was moved by Mr. Vince MacLean and seconded by the Hon. Ronald Russell that Dr. William Gillis be elected Chairman of the Standing Committee on Public Accounts. Motion was carried unanimously. Dr. Gillis assumed the Chair.

Meeting Summary
April 1, 1987

The Chairman's first order of business was the appointment of a secretary to the Committee. Dr. Gillis introduced Mrs. Margaret-Anne Bennett, a Legislative Intern assigned to the Committees Office, and recommended her appointment to the position. After a brief discussion, the appointment was approved by all Members.

The main order of business for the meeting was the setting of an agenda for the upcoming weeks. Party lists were accepted and, after some discussion, it was decided that the first witnesses and/or topics would be:

1. The Auditor General

2. Nova Scotia Resources Limited

3. Sydney Steel Corporation - joint meeting with the Standing Committee on Economic Development

4. Teachers' Pension Fund/Public Service Superannuation Fund

Mr. John Holm commented that the list could be much longer and serves to illustrate the point that the Committee needs to meet beyond the time the House is in session. It was generally agreed, after some discussion that, if the Chairman was to call such a meeting, Members would make every effort to attend. The Hon. Ronald Russell suggested Members would attend if the matter was deemed important. Dr. Gillis felt the Committee would meet, if called, out of respect for the Chair and the Committee, and because the precedent is there.

The meeting adjourned at 11:00 a.m.

Next meeting is scheduled for April 8, 1987.

Subject: Auditor General

Margaret-Anne Bennett
Secretary to the Committee
Committees Office (3128)

OFFICE OF THE AUDITOR GENERAL

The Standing Committee on Public Accounts started its meetings for the Third Session of the Fifty-Fourth General Assembly by calling the Auditor General, Mr. O. Paul Cormier, to appear at its first two working meetings on April 8 and 15, 1987.

Committee members based many of their questions on the Report of the Auditor General, dated March 31, 1986. In his opening remarks Mr. Cormier drew attention to several statements made in his report. He re-emphasized that "government must ensure that it has a management control and review structure ... to ensure that, to the best of its ability, there is appropriate management of government resources". He identified two areas where he felt this type of initiative is required but currently deficient - internal audit and cash management.

Mr. Cormier reminded the Committee that 70% of the government's expenditures are not under the direct day to day management of departmental public servants. They are, rather, passed on to and managed by recipients of grants, assistance and other support: in educational institutions, health service facilities, municipalities, social service institutions and support services. Given this situation, the Auditor General stated that there must be a means to ensure that those managing these government expenditure dollars do so with due regard for economy, efficiency and effectiveness. Mr. Cormier suggests a more meaningful degree of accountability is needed and may require legislative change in some areas to accomplish this.

Many questions raised at subsequent meetings involving Sydney Steel Corporation, the Teachers' Pension Commission, Venture Capital Corporation and others often related to concerns brought to the attention of Committee members by the Auditor General either through his 1986 Report or in his response to questions.

Office of the Auditor General

These issues ranged from discussions on cash management, additional appropriations, provincial retirement plans, changes in Crown Corporation legislation, internal audits and financial monitors for expenditures outside government control.

A new section of the 1986 Report entitled Status Prior Years' Observations and Recommendations was included "to provide a reference indicating the action taken and progress made on observations and recommendations from previous years' Annual Reports". This was deemed to be a most worthwhile section by Committee members. A suggested role for the Public Accounts Committee would be a more formalized follow-up process relating to items in this section of the report. Mr. Cormier explained how this follow-up process was handled in other jurisdictions and suggested that, over a period of time, our own Public Accounts Committee could develop a more routine and structured approach to these matters.

SUMMARY

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Wednesday, April 8, 1987
Legislative Chamber, House of Assembly

COMMITTEE:

Dr. William Gillis, Chairman
Hon. Ronald Giffin
Hon. Ronald Russell
Hon. David Nantes
Hon. Brian Young
Dr. James MacLean
Mr. George Archibald
Mr. Vincent MacLean
Mr. John Holm

IN ATTENDANCE:

Dr. William Gillis
Hon. Ronald Giffin
Hon. Ronald Russell
Hon. David Nantes
Mr. Vincent MacLean
Mr. John Holm

Dr. Colin Stewart attended for the Hon. Brian Young.
Mr. Gardner Hurley attended for Mr. George Archibald.

WITNESSES:

Mr. O. Paul Cormier	Auditor General
Mr. Roy Gunn	Deputy Auditor General
Mr. James Butler	Assistant Auditor General

INFORMATION REQUESTED by Dr. William Gillis

- a list of additional appropriations in excess of $50,000 that were approved after March 31, 1986.

The Auditor General agreed to provide information as requested.

Meeting Summary
April 8, 1987

At the invitation of the Chairman, the Auditor General made a brief opening statement.

Members who questioned Mr. Cormier and topics discussed:

Mr. Vincent MacLean	- control mechanisms for MLA expenses
	- zero based budgeting
	- the length of time the government could allow its debt to increase and still maintain its services
	- expenditure controls - Finance or Management Board
Dr. William Gillis	- provincial retirement plans
Mr. John Holm	- government office rentals
	- changes to Crown Corporation legislation
	- additional appropriations
Hon. David Nantes	- financial monitors to oversee 70% of expenditures outside government control
	- increase in teachers' contributions to Teachers' Pension Plan
	- departmental hiring of internal auditors

Meeting Summary
April 8, 1987

	- guidelines for effective management
Mr. Vincent MacLean	- government borrowing on the Japanese financial market
	- government issue of bonds within the province
Dr. William Gillis	- government's use of a public accounting firm
Mr. John Holm	- additional appropriations
	- monitoring of the Venture Board

It was agreed that the Auditor General would return next week for further discussions.

The Honourable David Nantes moved adjournment. Meeting adjourned at 10:50 a.m.

Margaret Anne Bennett
Secretary to the Committee

SUMMARY

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Wednesday, April 15, 1987
Legislative Chamber, House of Assembly

COMMITTEE:

Dr. William Gillis, Chairman
Hon. Ronald Giffin
Hon. Ronald Russell
Hon. David Nantes
Hon. Brian Young
Dr. James MacLean
Mr. George Archibald
Mr. Vincent MacLean
Mr. John Holm

IN ATTENDANCE:

Dr. William Gillis
Hon. Ronald Giffin
Hon. Ronald Russell
Hon. David Nantes
Hon. Brian Young
Mr. George Archibald
Mr. Vincent MacLean
Mr. John Holm

Mr. John Newell replaced Dr. James MacLean.

WITNESSES:

Dr. O. Paul Cormier	Auditor General
Mr. Roy Gunn	Deputy Auditor General
Mr. James Butler	Assistant Auditor General

INFORMATION REQUESTED by Mr. Vincent MacLean:

- a breakdown for the past 10 years of the escalation of debt at Sydney Steel and a breakdown as to the reasons for the escalation in that period.

Meeting Summary
April 15, 1987

INFORMATION REQUESTED by Dr. William Gillis

- a breakdown of amounts written off and increases in the reserve for doubtful accounts. (Reference: Statement 19, P. 46, Public Accounts, 1986, Vol. 1)
- What percentage of schools in the province have fire coverage and which do not.

The Auditor General agreed to provide information as requested.

Members who questioned Mr. Cormier and topics discussed:

Mr. Vincent MacLean	- Sydney Steel
	- Additional Appropriations
Dr. William Gillis	- Additional Appropriations
	- Crown corporation legislation: Reference - p. 56 & 57, Auditor General's Report, 1986
Mr. John Holm	- Amendments to the Auditor General's Act
	- Cash Management Study
	- Internal Audits
Hon. David Nantes	- Change in timing of the Auditor General's Report

Meeting Summary
April 15, 1987

Hon. Ronald Russell	- 1986 Auditor General's Report, Section dealing with Status Prior Years' Observations and Recommendations
Dr. William Gillis	- Legislation relating to the Office of the Auditor General - Travel Expenses - recovery. (Reference: p. 101, Auditor General's Report, 1986) - Fire insurance on school buildings and contents
Mr. John Holm	- Internal audits: N.S. Liquor License Board and the County Sheriffs' operation

Dr. Gillis thanked the Committee and the guests for appearing.

The Hon. David Nantes moved adjournment.

The next meeting of the Public Accounts Committee will be on April 22, 1987. The guest will be Mr. Peter Outhit of the Nova Scotia Resources Limited.

Meeting adjourned at 10:40 a.m.

Margaret-Anne Bennett
Secretary to the Committee
Committees Office (3128)

NOVA SCOTIA RESOURCES LIMITED

This meeting was a joint meeting involving the Standing Committees on Public Accounts and Economic Development.

In his opening remarks, Mr. Peter Outhit, President, Nova Scotia Resources, made reference to remarks made in the Legislature on March 31, 1987, by the Hon. Joel Matheson, Minister of Mines and Energy, (Hansard, p. 1038). As stated by the Minister, Mr. Outhit indicated that he welcomed the opportunity to make a public presentation on behalf of Nova Scotia Resources Limited. The presentation by Mr. Outhit was to outline the activities, assets and financial position of the Crown Corporation, as well as its corporate strategy for achieving the province's goals in the offshore.

The Committees welcomed such a presentation and asked for a meeting with Mr. Outhit immediately following the public presentation to further question information that may arise out of this. A verbal committment was given by Mr. Outhit to accommodate the Committee's request.

Events since the April 22 meeting have negated these plans. Mr. Outhit wrote a letter to the Secreary to the Committee, dated April 23, stating that "in light of a concentration of overlapping offshore activities... I will not be able to arrange a presentation to the legislative committees separate from the public informational meeting we plan to convene."

Discussions between the Chairman of the Public Accounts Committee, Dr. William Gillis, and the Hon. Joel Matheson led to an arrangement whereby the two Standing Committees would meet at 9:00 a.m., June 12, 1987. (Interest groups and the general public would be invited to sit in.) Mr. Outhit would make his presentation. Following this, the Members of the Public Accounts and Economic Development Committees would be given up to one hour to question the President of Nova Scotia Resources.

The compromise between Dr. Gillis and the Hon. Mr. Matheson was conveyed to Mr. Outhit in a letter dated May

Nova Scotia Resources Limited

14, 1987. On May 22, a letter from Mr. John French, Director, Regulatory and Governmental Affairs, Nova Scotia Resources Limited, put this meeting on hold once again. Mr. French explained, in Mr. Outhit's absence, that the Hon. Marcel Masse was due in Halifax to meet with Mr. Matheson on June 12 and that, due to the unavoidable absence of the Minister, the meeting would be postponed. It was further stated that Mr. Matheson would contact Dr. Gillis to arrange a mutually convenient future date.

SUMMARY

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Wednesday, April 22, 1987
Legislative Chamber, House of Assembly

COMMITTEE:

Dr. William Gillis, Chairman
Hon. Ronald Giffin
Hon. Ronald Russell
Hon. David Nantes
Hon. Brian Young
Dr. James MacLean
Mr. George Archibald
Mr. Vincent MacLean
Mr. John Holm

IN ATTENDANCE:

Dr. William Gillis
Hon. Ronald Giffin
Hon. Brian Young
Mr. George Archibald
Mr. Vincent MacLean
Mr. John Holm

Mr. Fisher Hudson replaced the Hon. Ronald Russell.
Mr. Gardner Hurley replaced the Hon. David Nantes.
Mr. John Newell replaced Dr. James MacLean.

Today's meeting was a joint meeting with the Standing Committee on Economic Development. In attendance from this Committee was:

Hon. Greg Kerr
Mr. Donald G. MacLeod
Mr. Greg MacIsaac
Mr. Vinent MacLean
Mr. Guy Brown
Mrs. Alexa McDonough

Dr. Colin Stewart sat in for Dr. Charles MacNeil, Chairman of the Committee on Economic Development.

Meeting Summary
April 22, 1987

WITNESS:

Mr. Peter Outhit
President and
Chief Executive Officer
Nova Scotia Resources Limited

INFORMATION REQUESTED:

- the Company's Euro-Commercial paper status;
- the preliminary financial position of NSRL as at March 31, 1987;
- any material made available at the public presentation in June.

Mr. Outhit agreed to provide the information as requested.

Members who questionned Mr. Outhit and topics discussed:

Mr. Vincent MacLean

- arrangements between Trans Canada Pipelines and Sable Gas
- the letter of agreement between Nova Scotia Resources and Trans Canada Pipelines
- Cohasset Project- what is being done to bring it ashore
- escalation in value of assets - how calculated
- what activity to move up production schedule

Meeting Summary
April 22, 1987

	- exploration attractiveness of Scotian Shelf - connection with NSRL
	- coal operations - closed permanently or expectations of starting again.
Dr. William Gillis	- repurchase by NSRL of East Coast Energy
Mr. John Holm	- value of assets - sufficient as collateral if not backed by taxpayer
	- any companies drilling new wells under new tax credit system, any commitments
	- dollars and total commitment invested in gold exploration in Nova Scotia
Ms. Alexa McDonough	- agreement between Sable Gas and Trans Canada Pipelines and NSRL - will issue be addressed at public presentation in June
	- plans by Novaco to reactivate any mine activity
Mr. George Archibald	- Cohasset - quality of oil - when to be developed
Mr. Guy Brown	- Novaco - any present plans for coal developments on mainland
	- wood chip energy

Meeting Summary
April 22, 1987

Dr. William Gillis	- Canada-Nova Scotia offshore petroleum resource accord - has money been received by NSRL
	- percentage of Nova Scotia participation in the Como Well - how much will it cost
	-what is share of other partners, PetroCanada and Trillium
Mr. John Holm	- shareholders - who are you referring to
	- Panuke Well - has there been a commitment to drill
	-how would that effect Cohasset -what is NSRL share in Panuke
	- cost of oil to make development feasible
	- have markets been secured, commitments made to purchase oil and gas, have agreements been signed
Ms. Alexa McDonough	- role of Petro-Can in determining rate of offshore development
Dr. William Gillis	- who else has drilling rights on land around Como, around Panuke.
	- percentage NSRL will have to put up to get Panuke going

Meeting Summary
April 22, 1987

	- Sulbath - is this a subsidiary of Shell Oil
	- timing of public presentation
Ms. Alexa McDonough	- would NSRL meet with Committees after public presentation
	- who had input into the timing schedule
	- impact if PetroCanada privatized
	- write-offs of petroleum properties
Dr. William Gillis	- NSRL completed studies with regard to the Venture Project - available at June presentation
	- approximate date of June presentation
	- meeting with Committee afterwards
Mr. John Holm	- the need for a deputy chairman

Dr. Gillis thanked Mr. Outhit for appearing before both Committees.

Ms. Alexa McDonough moved adjournment.

Meeting adjourned at 11:00 a.m.

Margaret-Anne Bennett
Secretary to the Committee
Committees Office (3128)

SYDNEY STEEL CORPORATION

This meeting was a joint meeting involving the Standing Committees on Public Accounts and Economic Development.

Committee members questioned the Sysco management on many topics ranging from profit and loss figures, future projections in tonnage and employment figures and Phases II and III of the modernization plan.

The 1986 Report of the Auditor General made reference to the high losses experienced by Sydney Steel in 1986 and attributed it primarily to a marked decrease in domestic rail shipments. "Sales to Canadian National Railways were at their lowest level in recent years" (p. 63). Mr. Cochrane, when questioned about the status of the agreement with Canadian National, commented that the agreement calls for approximately 80% of the requirements that can be made by Sydney Steel to be placed with Sydney Steel. That 80% could not, however, be converted to tonnage as Canadian National "do not know what their requirements are from year to year". This, in Mr. Boutilier's view, leads to the conclusion that Sydney Steel has to ensure that the international markets are substantial enough to support any slack CN might leave from year to year. According to the Auditor General (p. 67), the Corporation must consistently sell more than 50% of its production in the international market. There are about 25 rail mills competing for a share of this market and Japan is competing with Sydney Steel for a share of the Canadian market. Mr. Boutilier stated that Sydney Steel must be flexible enough to meet possible changes in specifications and feels that the head hardening process acquired when Phase II is complete will put Sydney Steel in a position to compete for new rail orders. Provisions for a universal mill also plays an important role in creating a competitive edge.

On a question from the Hon. Brian Young, Mr. Boutilier told the Committee that both phases should be completed by early 1990 and that this should lead to an increase in the number of people working at the facility.

Sydney Steel Corporation

The Auditor General, in referring to the debt of Sydney Steel, stated that "the current debt of $430 Million cannot be serviced or retired by Sydney Steel Corporation. It is a sunk cost attributable to prior years' losses and the full cost of interest on it and retirement of it must be borne by the Province" (p. 67). Although agreeing in principle with this statement, Mr. Cochrane could not give further information regarding a possible federal request for the Province to assume this debt.

UNITED STEEL WORKERS OF AMERICA - LOCAL 1064

Members representing Local 1064 were questioned on a number of issues by various members of the Committee.

Both Mr. MacLean and Ms. McDonough asked Mr. Callaghan, President of the Local, for his comments on the business plan presently before the Hon. Michel Cote in Ottawa. Mr. Callaghan feels the plan that should be in Ottawa is the one agreed to in February, 1986. The Union, however, has been unable to find out through the consultative process if this is the plan under consideration or whether modifications have been made of which the Union is not aware. Mr. Callaghan told the Committee he was meeting with the Premier later in the day in an attempt to get answers to their concerns in this and other areas. He stated that rumours regarding gross inaccuracies in the business plan and other issues such as pensions made it necessary for the Union to hire Peter Warrian to provide their members with research and expertise.

One area of ongoing concern for the Union appears to be the absence from the management team of an individual who, in their opinion, is competent in the steelmaking end of the operation. A works manager with overall competence in all areas of operation has been requested by Local 1064 for over one and one-half years.

The Union's primary concern, however, remains getting the modernization going and in maintaining or increasing their employment figures. On questioning from the Hon. Brian Young, Mr. Callaghan agreed that the modernization plan, when put in place, would make Sydney Steel competitive with anybody in the world market, would increase employment levels and would stabilize the work force on a year round basis.

SUMMARY

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Wednesday, April 29, 1987
Legislative Chamber, House of Assembly

COMMITTEE:

Dr. William Gillis, Chairman
Hon. Ronald Giffin
Hon. Ronald Russell
Hon. David Nantes
Hon. Brian Young
Dr. James MacLean
Mr. George Archibald
Mr. Vincent MacLean
Mr. John Holm

IN ATTENANCE:

Dr. William Gillis
Hon. David Nantes
Hon. Brian Young
Dr. James MacLean
Mr. Vincent MacLean
Mr. John Holm

Mr. Jack Coupar replaced Mr. George Archibald.

Today's meeting was a joint meeting with the Standing Committee on Economic Development. In attendance from this Committee was:

Dr. C. W. "Chuck" MacNeil
Hon. Edmund Morris
Hon. Greg Kerr
Mr. Donald MacLeod
Mr. Vincent MacLean
Mrs. Alexa McDonough

Mr. Alex McIntosh replaced Hon. George Moody.

Meeting Summary
April 29, 1987

WITNESSES:

Mr. E. Boutilier	President
Mr. M. Cochrane	Chairman of the Board
Mr. R. Skinner	Secretary/Treasurer
Sydney Steel Corporation	

Mr. John Callaghan	President
Mr. Benny O'Neill	
Mr. Clifford Boutilier	
United Steel Workers of America - Local 1064	

INFORMATION REQUESTED by Dr. William Gillis

- from the Sydney Steel Corp. - a copy of the 1986/87 audited statement

Mr. Boutilier agreed to provide the Committee with this statement.

Members who questioned Mr. Boutilier and topics discussed:

Mr. Vincent MacLean

- present status of agreement with CN
- head-hardening process and equipment
- orders now on the books
- timeframe for next phase of modernization
  - -Federal obstacles to go-ahead

Meeting Summary
April 29, 1987

- Board of Directors of Sydney Steel; meetings, composition of, quorum, attendance, remuneration
- short-term borrowing and total debt

Dr. William Gillis
- sales, profit or loss and loss figures for the last fiscal year

Ms. Alexa McDonough
- Phase II - viability without Phase III
  - -projected costs sufficient for completion
  - -breakdown of costs in terms of allocations
  - -project management - SNC/DRAVO
- universal mill
- Phases II and III - target for completion

Hon. Brian Young
- numbers presently employed and projected numbers
- tonnage and projections
- current orders - traditional or non-traditional markets
  - -secured on competitive open market basis

Meeting Summary
April 29, 1987

Hon. Brian Young	- projections on competitive pricing
	- head-hardening process - undertaking to procure same
	- future co-operation - CN and Sysco - to work on new product development
	- debt - provincial government agreed with Federal government to assume this
	- reasonable checks and balances on on-going basis
Mr. Alex McIntosh	- sales representatives securing orders
	- operation and other plans moving on schedule
Mr. John Holm	- reasonable projection of workforce after Phases II and III
Mr. Vincent MacLean	- who handles negotiation process on behalf of Sydney Steel

The Committee completed their questioning of Mr. Boutilier, Mr. Cochrane and Mr. Skinner and thanked them for making the trip.

Questioning resumed with representatives from the United Steel Workers of America, Local 1064.

Meeting Summary
April 29, 1987

Mr. Vincent MacLean	- tar ponds - how many jobs
	- consultative process with management
	- plan presently before Hon. Michel Cote
	- employment numbers with modernization
	- contracting out of projects - will Loc. 1064 be doing work
	- representation of 1064 on Sysco Board of Directors
	- who has steel expertise on management team
	- safety record and pension activities
	- diversification of Sysco
	- who calls shots with reference to Sysco
Ms. Alexa McDonough	- business plan before Hon.Michel Cote - was union fully briefed
	- SNC/Dravo - are they competent to do job
	- $157 million for modernization - feasible figure to do job in union view
	- universal mill - realistic timetable

Meeting Summary
April 29, 1987

Hon. Brian Young	- unions able to get answers from Premier
	- increased competitiveness and job possibilities with modernization
	- rumors in plant - union say they need better access to information
Mr. Alex McIntosh	- role of steel expert in overall operaton of plant
Ms. Alexa McDonough	- union views regarding:
	..free trade
	..privatization of Sysco

Dr. Gillis thanked the guests for appearing before the Committee.

A Vice-Chairman was elected. Dr. Gillis recommended Mr. George Archibald, M.L.A., last year's Chairman. Unanimously accepted.

Meeting adjourned at 11:00 a.m.

Margaret-Anne Bennett
Secretary to the Committee
Committees Office (3128)

HALIFAX-DARTMOUTH BRIDGE COMMISSION

Questions by Committee members to representatives from the Halifax-Dartmouth Bridge Commission centered largely on the debt of the Commission and possible plans to retire this debt.

In discussions concerning offshore financing vs. conversion to Canadian dollars, the Commission explained how it has been possible to have lower debt servicing charges with Swiss francs than if the debt had been switched to Canadian funds. On the other hand, Dr. Gillis wondered about the total debt of the Bridge Commission; since 1969 the debt of the Commission has tripled.

Mr. Holm was interested in whether the Commission had looked at selling to the public in Nova Scotia a bond issue to cover the cost of the debt. Again, the Commission explained how and why, in the opinion of the Commission and the executive committee, they should stay where they are - in offshore financing.

Concern over the flow of traffic between Halifax and Dartmouth was expressed in questions relating to an extra lane for the Macdonald Bridge, condition of the bridges and possible changes to the fare structure.

The Hon. David Nantes was interested in whether the Bridge Commission had held discussions on the creation of an integrated, regional transporation authority that would deal with the bridges, computerized traffic lights, the ferries and Metro Transit. The Commission expressed their willingness to co-operate if studies showed that such an authority was the most efficient way to solve the traffic concerns of the Halifax-Dartmouth area.

SUMMARY

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Wednesday, May 6, 1987
Legislative Chamber, House of Assembly

COMMITTEE:

Dr. William Gillis, Chairman
Hon. Ronald Giffin
Hon. Ronald Russell
Hon. David Nantes
Hon. Brian Young
Dr. James MacLean
Mr. George Archibald
Mr. Vincent MacLean
Mr. John Holm

IN ATTENDANCE:

Dr. William Gillis
Hon. Ronald Giffin
Hon. Ronald Russell
Hon. David Nantes
Hon. Brian Young
Mr. George Archibald
Mr. Vincent MacLean
Mr. John Holm

WITNESSES:

Halifax-Dartmouth Bridge Commission

Mr. Reg Prest	Chairman
Mr. Basil Gordon	Secretary
Mr. Ken Munro	Comptroller
Mr. Jerry Kay	General Manager

INFORMATION REQUESTED by Dr. William Gillis:

- report by Touche Ross & Co. re finance costs - Halifax-Dartmouth Bridge Commission

Mr. Prest agreed to submit this report to the Committee.

The meeting began with discussions concerning a schedule change for the following week. It was finally decided to make the change and to meet with Mr. Eric Lavers of the Tax Commission and reschedule the Teachers' Pension Commission and the provincial superannuation group for the week after that.

Members who questioned Mr. Prest and topics discussed:

Mr. Vincent MacLean	-	current financial position regards to debt as of March 31, 1987
	-	possible changes in fare structure
	-	additional approaches or another bridge
	-	what shape bridges are in
	-	plans to retire the debt
Mr. William Gillis	-	switching debt to Canadian dollars
Mr. John Holm	-	dollars offshore in debt servicing
	-	a Nova Scotia bond issue to cover cost of debt
	-	liability insurance - any difficulties getting insurance or any rate increases

Hon. David Nantes - possibility of an integrated regional transportation authority to deal with bridges, computerized traffic lights, the ferries and metro transit

Mr. John Holm moved adjournment. Meeting adjourned at 10:00 a.m.

Margaret-Anne Bennett
Secretary to the Committee
Committees Office (3128)

PROVINCIAL TAX COMMISSION

Representatives from the Provincial Tax Commission were invited to appear in response to questions arising from tax payments that were in arrears.

The Provincial Tax Commissioner, Mr. Eric Lavers, made an opening statement. These comments helped clarify some of the concerns over what appeared to be a substantial, uncollected amount of $12 million in health services tax. Mr. Lavers explained that the $12 million figure was actually comprised of four components - one of which was $3.67 million - the actual amount of the tax that was collected and not remitted. Given that the audit effort is a four year cycle and the revenue collected for that cycle was $1.8 billion - this puts the amount of taxes collected and not remitted at a ratio of two-tenths of one percent of total revenues. On a question from the Hon. Ronald Giffin, Mr. Lavers stated that "historically, the ratio of receivables to revenue goes from 1.8% to 2%".

Many other issues were discussed by members of the Committee and representatives of the Provincial Tax Commission. Mr. MacLean questioned the witnesses on such topics as the increase in accounts over $1,000; the situation whereby native people bought tax free cigarettes for resale; and procedures for recommendations to the Minister of Finance with regards to accounts in difficulty. Mr. Lavers was able to estimate that about twenty accounts a year would go to the Minister's desk for his approval before final action is taken by the Tax Commission. He told the Committee that the Minister has not varied any of the recommendations made by him in his term as Tax Commissioner since July, 1986.

Mr. Holm asked for information on the tax audit cycle of the Commission, tax exemptions on safety equipment and the Department of Finance's response to recommendations concerning banking arrangements in the 1986 Report of the Auditor General. These recommendations (p.84)

indicate that decisions regarding banking arrangements should be based upon more formal and thorough cost-benefit analysis. They also indicate a greater need for more formal procedures for reviewing and assessing banking arrangements. Mr. Manuel, responding to these recommendations, told Committee members that the Department of Finance does follow tendering processes when looking for a new service. He further stated that most banks provide services on a similar cost basis and that the Department has not followed the procedure of concentrating all their business with one bank but rather deals with all major financial institutions.

Dr. Gillis asked for a breakdown in the figures the Tax Commission anticipated collecting from recent increases in the tax on clothes, cigarettes and from energy conservation changes. Referring to recent figures showing vendors in arrears have increased 31% in 1987 over 1986, Dr. Gillis asked if this didn't appear to be a pretty substantial increase. Mr. Lavers told the Committee that, due to illness and a recent death among his staff, technical jobs such as these were not and could not be filled right away and delays occurred. He did indicate that audits increased by 216 so there has still been a larger input.

SUMMARY

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Wednesday, May 13, 1987
Legislative Chamber, House of Assembly

COMMITTEE:

Dr. William Gillis, Chairman
Hon. Ronald Giffin
Hon. Ronald Russell
Hon. David Nantes
Hon. Brian Young
Dr. James MacLean
Mr. George Archibald
Mr. Vincent MacLean
Mr. John Holm

IN ATTENDANCE:

Dr. William Gillis
Hon. Ronald Giffin
Hon. Ronald Russell
Hon. David Nantes
Hon. Brian Young
Mr. George Archibald
Mr. Vincent MacLean
Mr. John Holm

WITNESSES:

Department of Finance, Provincial Tax Commission

Mr. A. G. Manuel	Deputy Minister
Mr. Eric Lavers	Tax Commissioner

INFORMATION REQUESTED by Mr. Vincent MacLean:

- a letter from Mr. Manuel indicating what the province has recovered from the debt owing by Mr. Malcolm MacKay

Meeting Summary
May 13, 1987

The meeting began with a discussion concerning a letter sent to the Committee from Mr. Peter Outhit, Nova Scotia Resources Limited, dated April 23, 1987. In his letter, Mr. Outhit stated that he would not be able to schedule another meeting with the Committee in June as agreed to at the meeting on April 22. After a brief discussion, it was decided that Mr. Gillis choose a date and ask Mr. Outhit to appear as previously agreed.

Mr. Lavers made an opening statement prior to questions from Committee members. This statement concerned the four major components that make up the amount of taxes owing the province as of March 31, 1987.

Members who questioned Mr. Lavers and topics discussed:

Mr. Vincent MacLean

- why an increase in the number of accounts over the $1,000 mark
- why are extra accounts going up and prosecutions going down
- delay by Tax Commission in dealing with situation of native people buying tax free cigarettes for resale
- MLA's or Cabinet Ministers in last five years in arrears or owning health services tax
- why province can't publish names of people in arrears
- where will 14 percent increase in revenues from the Health Services Tax Act come from

Meeting Summary
May 13, 1987

Mr. John Holm	- number of tax audits each year
	- how often companies are audited
	- number of companies not audited within the four year cycle
	- observations of Auditor General with respect to depositing practices, etc.
	- "double taxing" on cars brought into Nova Scotia and re-registered
Hon. Ronald Giffin	- total sales tax revenue for year ending March 31, 1987
	- ratio of receivables to revenues - historical pattern
Hon. David Nantes	- ministerial direction, suggestions, regarding companies who owe taxes
Hon. Ronald Russell	- why province is tenth in line for collection of debts in a receivership or bankruptcy situation
	- length of time province carries an account as a receivable before it is written off
	- ideal number of auditors for Tax Commission to keep on generating more revenue

Meeting Summary
May 13, 1987

Hon. Ronald Russell	- number of accounts over $10,000 that would fall into category of sales tax collected but not remitted
	- timeframe on accounts before they reach desk of Tax Commissioner
Mr. Vincent MacLean	- right of province to confiscate the pension of any employees, MLA's or Cabinet Ministers
	- recommendations to Minister re accounts in difficulty - what happens
Dr. William Gillis	- ballpark figures on taxes expected from recent increase announced in tax on clothes, cigarettes and from energy conservation changes.
	- flow chart of Tax Commission
Mr. John Holm	- concerns of Auditor-General in recent report - plans to rectify them
	- tax exemptions for equipment purchased by a business or industry for safety reasons
Hon. David Nantes	- percentage of accounts that would eventually have ministerial involvement

Meeting Summary
May 13, 1987

Dr. Gillis thanked the guests and the Committee and adjourned the meeting at 11:00 a.m.

Margaret-Anne Bennett
Secretary to the Committee
Committees Office (3128)

TEACHERS' PENSION COMMISSION

Members of the Committee addressed many of their questions to Mr. Bruce MacDonald, the Actuary of the Teachers' Pension Fund, as many questions related to comments and recommendations made by the Auditor General in his 1986 Report. Many of the comments of the Auditor General were based on the actuarial valuation of the Fund released in October 1986.

Commenting on the actuarial study itself, the Auditor General noted that the 27 month period between the effective date of the valuation and the completion of the report is too long. This is a consequence of an inappropriate pension accounting and information system used to generate data (p.120). Mr. Jack, responding to a question on this issue by Mr. MacLean, commented that the changeover from a manual system to a computerized information system should alleviate this problem in the preparation of future reports. Mr. MacDonald further commented that these reports would hopefully be done in three year instead of five year intervals in the future because the data will then be easier to obtain. This three year interval was also recommended by the Auditor General.

The main line of questioning centered around the large and growing unfunded liability in the Teachers' Pension Fund.

The Auditor General, in his report, gave two main reasons for this growth. One was the interest cost of carrying the unfunded liability. The other was that contributions to the fund are not sufficient to meet the benefits currently being earned. He recommended that payments be made into the fund equal to the interest that could be earned on the unfunded liability amount as one means of freezing the liability. The Auditor General also recommended an increase in total contributions of 7% to pay for benefits presently being earned.

Both recommendations concerning the unfunded liability were discussed with representatives of the Teachers' Pension Commission. Although there is no panic about the unfunded liability, there is concern when it appears that costs may well be passed on to future generations of tax-

Teachers' Pension Commission

payers. Mr. MacDonald told Committee members that recommendations contained in the actuarial report concerning freezing the liability have been brought to the attention of the Minister and the Government. He further stated that this issue is being studied by the Commission at present and a report and recommendation is expected to be made to the Minister of Education and the Nova Scotia Teachers' Union within a short period of time. Members of the Committee were interested in this study and asked that copies be made available to them.

Mr. McCarthy informed the Committee that it was the policy of the Nova Scotia Teachers' Union Council, the Government and, consequently, the Commission, that benefits earned be paid for. Referring to last year's benefit increase, Mr. McCarthy felt that, although he could not announce that this would be met with increased contributions, the policy was in place for an increase to take place.

Mr. Holm questioned whether there were other approaches that could be taken to reduce the liability besides an increase in teachers' contributions. Mr. MacDonald responded by talking about reduced benefits and increased investment income.

The Hon. David Nantes asked if, in dealing with other pension plans, agreements for pension benefits/contributions are incorporated into the negotiating process and whether this should be done in negotiations with the teachers' pension group. Mr. MacDonald told the Committee that this was indeed the practice with other groups and the suggestion to handle teachers' contract negotiations the same way "makes good sense".

The meeting continued with representatives from the Department of Finance, Public Service Superannuation Plan.

PUBLIC SERVICE SUPERANNUATION PLAN

Representatives from the Public Service Superannuation Plan were questioned by Committee members on topics such as outside investment advice, public service employee input on investment decisions and the purchase of Government and Nova Scotia Power Corporation Bonds. The unfunded liability of the Plan was not an issue as the Auditor General, in his 1986 report, made reference to the fact that there had been a fairly significant improvement in this area in recent years. He also noted that contributions to the Plan exceed the costs of benefits being earned.

Replying to questions regarding outside investment advice, Mr. Manuel named Confed Investment Counselling Ltd. as the asset mix consultant and advisor to the investment committee. The four professional money managers of the equity portfolio are from Confed Investment Counselling Ltd., E. J. McConnell and Associates Ltd., Montreal Investment Management, and Jareslowsky, Fraser and Company Ltd. On a question from the Hon. David Nantes, Mr. Manuel told the Committee that the investment strategy followed by the investment committee was one that adhered to the advice of that group of four firms.

Mr. Holm asked Mr. Manuel whether government employees are regularly informed as to where their pension funds are invested. He also asked whether there had been any thought given to providing a process whereby employees could have input into investment decisions. Mr. Manuel stated that, although detailed information on investments was not provided on a regular basis, it could certainly be available to the NSGEU for the asking.

With reference to membership on the investment committee, Mr. Manuel stated that, although there were no representatives from the NSGEU on the committee, a recent expansion of representation included the Deputy Minister of Management Board who is responsible for the Civil Service Commission. Dr. Gillis asked if the members of the investment committee would consider asking the President of the Nova Scotia Government Employees' Union to sit on

Public Service Superannuation Act

that committe in light of the fact that the Chairman of the Teachers' Pension Commission was a member and that committee representation was widening. Mr. Manuel told Dr. Gillis that, although the question had not been addressed, it could be raised.

Mr. MacLean concluded his questioning by asking for information on the amount invested from all pension funds in Nova Scotia Government Bonds and Nova Scotia Power Corporation Bonds. According to Mr. Manuel, approximately 30% of the portfolio of $1.3 billion was invested in these areas.

SUMMARY

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Wednesday, May 20, 1987
Legislative Chamber, House of Assembly

COMMITTEE:

Dr. William Gillis, Chairman
Hon. Ronald Giffin
Hon. Ronald Russell
Hon. David Nantes
Hon. Brian Young
Dr. James MacLean
Mr. George Archibald
Mr. Vincent MacLean
Mr. John Holm

IN ATTENDANCE:

Dr. William Gillis
Hon. David Nantes
Hon. Brian Young
Dr. James MacLean
Mr. George Archibald
Mr. Vincent MacLean
Mr. John Holm

WITNESSES:

Teachers' Pension Commission

Mr. G. J. McCarthy	Chairman
Mr. R. W. Jack	Commission Secretary
Mr. B. MacDonald	Actuary

Public Service Superannuation Plan

Mr. A. G. Manuel	Deputy Minister of Finance
Mr. G. Sturdy	Manager

Meeting Summary
May 20, 1987

INFORMATION REQUESTED BY Dr. William Gillis:

- the Pension Commission study on ways to reduce the unfunded liability
- the one-time figure and the ball park figure of the impact on the Consolidated Fund of the special early retirement programs that have been in effect over the past several years.

INFORMATION REQUESTED by Hon. David Nantes:

- an analysis on cost-savings in various departments as a result of the early retirment plans.

Both Mr. McCarthy and Mr. Manuel agreed to provide the information as requested.

At the invitation of the Chairman, Mr. McCarthy made a brief opening statement.

Members who questioned representatives of the Teachers' Pension Commission and topics discussed:

Mr. Vincent MacLean
- rate of return the fund is generating
- length of time required to get data necessary to do an evaluation
- how often does respective school boards pay their contriutions

Meeting Summary
May 20, 1987

Mr. Vincent MacLean
- unfunded liability
  ..why is it growing
  ..what impact will recent changes in the teachers' pension fund make to this unfunded liability
- Auditor General's recommendations re increase in total contributions

Dr. William Gillis
- recommendations to Minister and to the government re freezing the unfunded liability as outlined in the Actuarial Report
- recommendation in Actuarial Report re "not granting any improvement in benefits without an increase in contribution rates" .

Mr. John Holm
- what will unfunded liability be in 1987
- other approaches that could be taken to reduce unfunded liability aside from an increase in teachers' contributions

Government members of the Committee had no questions for these witnesses/

Meeting Summary
May 20, 1987

Dr. William Gillis	- recommendation of Auditor General that frequency of evaluations be done in three year intervals
	- cash flow study
Mr. John Holm	- study on ways to reduce the unfunded liability - when will it be in the hands of the government and NSTU
Hon. David Nantes	- whether future agreements in level of pension contributions, percentage of contribution employer/employee should be agreed upon as part of the negotiations rather than after negotiations

Dr. Gillis thanked the representatives from the Teachers' Pension Commission and welcomed Mr. Manuel and Mr. Sturdy from the Department of Finance, Public Service Superannuation Plan.

At the invitation of the Chairman, Mr. Manuel made a brief opening statement.

Members who questioned Mr. Manuel and topics discussed:

Mr. Vincent MacLean	- rate of return for the period to the end of 1985

Meeting Summary
May 20, 1987

Mr. Vincent MacLean	- investment advice from outside counsel - who is consulting firm
	- numbers of individuals that took early retirment last year ..were they replaced ..similar program this year
Dr. William Gillis	- what companies are advisors in investments in stock market
Mr. John Holm	- whether government employees are regularly informed as to where the monies in the pension fund are invested
	- possibilities of input on investment from employees - advisory committee
	- what steps taken to give them greater input on the pension commission
	- are pension benefits a negotiable item with the NSGEU
	- could NSGEU get information on investments if asked for
Hon. David Nantes	- do you religiously follow investment advice from outside group of four firms

Meeting Summary
May 20, 1987

Mr. Vincent MacLean
- combined assets of all pension funds presently being managed
- how much of that invested in either Nova Scotia Government Bonds or Nova Scotia Power Corp. bonds

Dr. William Gillis
- members on the investment committee
- any consideration given to adding a representative from NSGEU

Dr. Gillis thanked the members of the Public Service Superannuation Plan for coming.

The meeting adjourned at 9:50 a.m. on a motion from the Hon. David Nantes.

Margaret-Anne Bennett
Secretary to the Committee
Committees Office (3128)

VENTURE CAPITAL CORPORATION

The 1986 Report of the Auditor General contains a section on the Venture Corporations Board (p. 126). Reference is made in this section to the Clarkson Gordon consultants study. This study recommends that the Venture Corporations Act be amended to allow the practice of more active involvement by the Board in the operations of the investee. Dr. Gillis asked Mr. Ellis if this recommendation had been given consideration. Mr. Ellis described the relationship between the venture capitalist and the investee company as a "balancing act". The venture capitalist needs a provision whereby it can step in to protect its, and the governments', investment; on the other hand, the entrepreneur wishes to retain as much control as possible. Mr. Ellis suggested further study was needed to determine how often extra involvement was required before deciding whether to change the Act.

Another concern arising out of the Auditor General's report was the number of venture corporations that had not filed the annual information returns or financial statements in the four month time period as outlined in the Act. This prompted Dr. Gillis to ask whether four months was an adequate period of time to prepare and submit such information. If it was inadequate, Dr. Gillis asked if a recommendation would be made to the Minister responsible to change the Act. Mr. Ellis felt that many smaller companies might be having difficulty dealing with the four month regulation but felt the meeting with the Public Accounts Committee would act "as a spur" for the Corporation to encourage compliance with the Act.

Mr. MacLean questioned Mr. Ellis on the possible purchase of Suttles & Seawinds by Jilnik Equities and ABC Ventures. Mr. Ellis was able to inform the Committee of the names of the owners of Jilnik Equities, but was unable to name the principals of ABC as it was not yet registered with the Joint Stock Companies Office.

The involvement of Mr. Robert Bruce as a receiver for Suttles & Seawinds while a member of a board considering the investment of money in this company prompted a fairly lengthy discussion. Mr. MacLean felt Mr. Bruce's advice

Venture Capital Corporation

"certainly would not be unencumbered with personal commitments". Further discussion of Suttles & Seawinds centred around the position of the Nova Scotia Resources Development Board with regards to the company.

Mr. Holm asked Mr. Ellis how many jobs had been created as a result of the Venture Capital Program. Mr. Ellis told the Committee that between 800 and 1,000 jobs have been created or retained as a result of assistance given through venture capital. Mr. Holm was interested in the Clarkson-Gordon review but was told that it had been prepared for the Minister of Development and it was, therefore, the Minister's report.

Mr. Ellis stated, on a question from Dr. Gillis, that there are 53 companies registered with the Venture Capital Corporation, but that seven are defunct leaving the Corporation dealing with 46 companies as live entities. Dr. Gillis asked that a list of these companies be sent to the Secretary of the Committee for distribution to Committee members.

SUMMARY

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Wednesday, May 27, 1987
Legislative Chamber, House of Assembly

COMMITTEE:

Dr. William Gillis, Chairman
Hon. Ronald Giffin
Hon. Ronald Russell
Hon. David Nantes
Hon. Brian Young
Dr. James MacLean
Mr. George Archibald
Mr. Vincent MacLean
Mr. John Holm

IN ATTENDANCE:

Dr. William Gillis
Hon. Ronald Giffin
Hon. Ronald Russell
Hon. David Nantes
Dr. James MacLean
Mr. George Archibald
Mr. Vincent MacLean
Mr. John Holm

Dr. Colin Stewart attended for the Hon. Brian Young.

WITNESSES:

Venture Capital Corporation

Dr. J. R. Ellis	Chairman
Mr. R. Hanna	Manager

INFORMATION REQUESTED by Dr. William Gillis:

- a list of Venture Capital Corporations

Meeting SUmmary
May 27, 1987

At the invitation of the Chairman, Mr. Ellis made a brief opening statement making reference to the Clarkson Gordon Report reviewing the objectives and operation of the Venture Capital Program.

Members who questioned Mr. Ellis and topics discussed:

Mr. Vincent MacLean

- current board members of the Corporation
- monies set aside for doubtful accounts
- shareholders in:
  ..ABC Venture Limited
  ..Jilnik Enterprises
- Suttles and Seawinds:
  ..negotiations to purchase
  ..involvement of Mr. Robert Bruce as receiver and board member
  ..feelings of Nova Scotia Resources Development Board
  ..assessment of assets by Coopers and Lybrand
- main people involved in Jilnik Equities
- principals involved in ABC

Mr. John Holm

- Clarkson Gordon review - is it available
- new venture corporations
- dificulties with respect to Nova Ventures

Meeting Summary
May 27th, 1987

Mr. John Holm

- percentage of companies failing
- jobs created as a result of venture capital program
- venture corporations;
  ..how many defunct or with problems
  ..how many considered active
  ..how many receiving a 50% subsidy
  ..are they expanding or branching out

There were no questions from the Government members of the Committee.

Dr. William Gillis

- Auditor General's Report re lack of disclosure of information by the companies
  ..do companies need more than four months to file the annual financial statement
  ..would you recommend to Minister that Act be changed if four months was an inadequate amount of time
- changes to Act to allow for more active interest and involvement by Corporation in companies in which monies are invested
- number of companies being dealth with as live entities

Meeting Summary
May 27, 1987

The meeting concluded with a discussion concerning the cancellation of the public presentation by Nova Scotia Resources Limited.

Meeting adjourned at 9:30 a.m. on a motion by the Hon. David Nantes.

Margaret-Anne Bennett
Secretary to the Committee
Committees Office (3128)